

CenturyTel's Briefing Points on Rebasing High-Cost Support
(April 25, 2002)

The Commission's rules intended for high-cost support to increase over the five-year period.

- High-cost loop support distributed to rural ILECs was to be re-based as if the indexed fund cap and the corporate operations expense limitation were not in effect during calendar year 2000.
 - Thus, beginning July 1, 2001, high-cost support would be based on uncapped amounts of support for 2000 plus the rural growth factor.
 - Beginning January 1, 2002, high-cost support shall not exceed high-cost loop support for calendar year 2001 multiplied times one plus the rural growth factor.
- The Commission and the Rural Task Force intended for high-cost loop support to increase as a result of rebasing support.
 - The Rural Task Force estimated that high-cost loop support for rural carriers would be \$961 million in 2001 and would increase to \$1.29 billion in 2005.
 - The Rural Task Force proposed to increase high-cost loop support by \$1.26 billion in the aggregate over 5 years, compared to the Commission's prior rules.

High-cost support for 2002 is declining because Section 36.603(a) requires support to be based on support for calendar year 2001.

- USAC based 2002 high-cost loop support, in part, on actual support payments distributed from January 1, 2001 through June 30, 2001.
- **Because previous caps applied during the first half of 2001, support for that period was smaller, thereby placing downward pressure on overall support for calendar year 2001.**
- Rural carriers, such as CenturyTel, reasonably expected an increase in high-cost loop support in 2002; however, total high-cost support has declined:
 - December 2001 - \$81.997 million
 - January 2002 - \$78.733 million
 - Support *reduced* by \$3.26 million, while it should have increased by approximately \$4 million
- Contrary to universal service policies, declining high-cost loop support disincentivizes carriers to invest in new infrastructure and technologies and discourages new carriers from serving rural areas.

CenturyTel urges the Commission to recalculate high-cost support for 2002 based on annualized support distributed in the second half of 2001.